

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-02

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC PRIORITY 9097

INFO AMEMBASSY MOSCOW

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EO 11652: NA

TAGS: EFIN, IN, UR

SUBJ: RUPEE-RUBLE NEGOTIATIONS

REF: NEW DELHI 15222

1. MOST DAILIES REPORTED TODAY THAT THE THIRD ROUND OF TALKS BETWEEN INDIA AND THE USSR ON THE EXCHANGE BETWEEN THE RUPEE AND THE RUBLE, WHICH STARTED HERE ON OCTOBER 11, 1976, HAVE ENDED. AFTER NAMING THE LEADERS OF THE TWO SIDES, TIMES OF INDIA QUOTED OFFICIAL VERSION THAT QUOTE CONSIDERABLE PROGRESS WAS MADE AT THE TALKS. THE MATTER COULD NOT, HOWEVER, BE FINALIZED IN THE PRESENT ROUND OF TALKS BECAUSE OF THE COMPLEXITIES OF THE ISSUES INVOLVED UNQUOTE. A FOURTH ROUND OF TALKS IS EXPECTED TO TAKE PLACE IN MOSCOW SOON.

2. SOZ OF THE IRRITANTS (FOR INDIA) INVOLVED IN THE TALKS OVER THE PAST TWO YEARS HAVE NOW SURFACED IN THESE ARTICLES; I.E., THAT NEITHER THE RUPEE NOR THE RUBLE IS TRADED ON WORLD MONEY MARKETS AND THEREFORE AN EXCHANGE RATE RELATED TO CONVERTIBLE CURRENCIES IS NOT ACCEPTABLE; THAT THE RUBLE IS AN OVER-VALUED CURRENCY; THAT THE ISSUE IS IMPORTANT ONLY TO PAST DEBT AS NEW CREDITS ARE OF LITTLE VALUE TO INDIA (BECAUSE THEY ARE TIED TO PROJECTS ONLY AND CAN BE DISBURSED ONLY
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AT SLOW RATE); THAT INDIA IS NOT OBLIGED TO MAKE ANY

ADJUSTMENT AS THE GOLD VALUE OF THE RUPEE HAS REMAINED CONSTANT; AND, FINALLY, THAT IN RECENT YEARS REPAYMENTS TO THE USSR HAVE BEEN MORE THAN THE AID INFLOW, AND A CHANGE IN THE PAR VALUE WILL INCREASE THIS NET OUTFLOW.

3. ONLY ONE REFERENCE IS MADE TO USSR POSITION: QUOTE USSR WANTS THE VALUE OF THE RUBLE TO BE INCREASED BY APPROXIMATELY 30 PERCENT IN RELATION TO THE RUPEE. IT ARGUES THAT THIS IS THE EXTENT OF DEPRECIATION OF THE RUPEES VALUATION SINCE THE SMITHSONIAN AGREEMENT OF 1971. UNQUOTE. THE ECONOMIC TIMES ARTICLE WAS SOMEWHAT MORE UPBEAT IN THAT IT ANNOUNCED THAT A NEW FORMULA ON THE RUPEE-RUBLE PARITY HAS BEEN QUOTE EVOLVED UNQUOTE, BUT THAT SOME SECONDARY AND UNIMPORTANT ISSUES REMAIN UNRESOLVED.

4. DURING AN INFORMAL LUNCH OCT 20, SOVIET COUNSELOR FIALKOVSKY TOLD THE ACTING POLITICAL COUNSELOR THAT HE (FIALKOVSKY) WAS SATISFIED PROGRESS HAD BEEN MADE DURING THE CURRENT ROUND OF TALKS. OF COURSE, HE ADDED, THE CHIEF SOVIET NEGOTIATOR HAD SOME PRIVATE MEETINGS WITH THE AMBASSADOR, TO WHICH I (FIALKOVSKY) WAS NOT PRIVY, BUT THERE IS TO BE A NEW ROUND OF TALKS NEXT MONTH. THE CHIEF SOVIET NEGOTIATOR FROM THE SOVIET NATIONAL BANK WAS A NEW MAN, AND NOT ENTIRELY FAMILIAR WITH THE SUBJECT. FIALKOVSKY ALSO SAID THE SOVIETS HAD THE IMPRESSION THAT THE CHIEF INDIAN NEGOTIATOR, M.G. KAUL, WAS EAGER TO BE OFF ON HIS NEXT ASSIGNMENT. FIALKOVSKY ADMITTED THAT SO LONG AS THERE IS NO AGREEMENT, THE PAYMENTS SITUATION REDOUNDS TO THE ADVANTAGE OF THE INDIANS, BUT HE SAID IF THERE IS A SETTLEMENT IN NOVEMBER OR DECEMBER, THAT DOES NOT MAKE SO MUCH DIFFERENCE. FIALKOVSKY SAID IT HAS BEEN MORE THAN TWO YEARS SINCE THE SOVIETS BEGAN TO PRESS FOR A SETTLEMENT, AND ADDED, "YOU KNOW THE INDIANS ARE HARD BARGAINERS". WERE A SETTLEMENT DELAYED BEYOND THE NOVEMBER TO DECEMBER TIME FRAME, THE SOVIET DIPLOMAT SAID THAT WOULD BE A MORE SERIOUS MATTER. HE WOULD NOT SPECULATE, HOWEVER, ON ANY POSSIBLE STEPS THE SOVIETS MIGHT TAKE WERE A SOLUTION DELAYED BEYOND THE FIRST OF THE YEAR. FIALKOVSKY HAD NO FURTHER COMMENT ON A POSSIBLE GROMYKO VISIT.

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5. COMMENT: ALTHOUGH THERE WAS CONSIDERABLE REFERENCE TO PROGRESS MADE, THERE IS NO EVIDENCE THAT EITHER SIDE HAS CHANGED ITS POSITION ON THIS ISSUE. ONE POSSIBLE REASON TALKS TOOK A WEEK IS THAT OTHER ISSUES WERE DISCUSSED AS WELL. ONE ARTICLE LAST WEEK REPORTED RUMOR THAT GROMYKO WOULD VISIT DELHI SOON (REFTEL) AND SPECULATED THAT IN THE CONTEXT OF THE VISIT AGREEMENT ON THE RUBLE-RUPEE COULD BE SIGNED AS WELL AS AGREEMENT FOR SUPPLY OF VARIOUS HEAVY EQUIPMENT TO THE USSR

FOR THEIR THIRD COUNTRY AID PROJECTS.
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